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the future health of the Port of Baltimore and of Maryland's environment.

First the bill authorizes nearly $28 million for needed improvements to Baltimore Harbor Anchorages and Channels. Many of the existing anchorages and branch channels within Baltimore Harbor were built in the first half of this century and are no longer deep enough, wide enough or long enough to accommodate the vessels now calling on the Port of Baltimore. Many of the larger ships must now anchor some 25 miles south of Baltimore in naturally deep water, resulting in delays and increased costs to the shipping industry. Also, the narrow widths of some of the branch channels result in additional time for the pilots to maneuver safely to and from their docking berths. In June 1998 the Chief of Engineers approved a report which recommended a number of improvements including: (1) widening and deepening Federal anchorages 3 and 4; (2) widening and providing flared corners for state-owned East Dundalk, Seagirt, Connecting and West Dundalk branch Channels; (3) dredging a new branch channel at South Locust Point; and (4) dredging a turning basin at the head of the Fort McHenry Channel. The report identified the project as ''technically sound, economically justified and environmentally and socially acceptable.'' This project has been a top priority of mine, of the Maryland Port Administration and of the shipping community for many years and I am delighted that this legislation will enable us to move forward with this important project.

Second, the legislation directs the Corps of Engineers to make critically needed safety improvements to the Tolchester Channel in the Chesapeake Bay. The Tolchester Channel is a vital link in the Baltimore Port system. It was authorized in the River and Harbor Act of 1958 and aligned to take advantage of the naturally deep water in the Chesapeake Bay, along Maryland's Eastern Shore. This alignment, which is shaped like an ''S,'' has posed a serious navigation problem and safety risks for vessels. Ships must change course five times within three miles, often beginning a new turn, sometimes in the opposite direction, before completing a first turn. With vessels nearly 1,000 feet in length, it is difficult to safely navigate the channel, particularly in poor weather conditions. The U.S. Coast Guard and the Maryland Pilots Association have expressed serious concerns over the safety of the area and have long recommended straightening of the channel due to the grounding and ''near misses'' which have occurred in the area. The cost for straightening the Tolchester ''S-turn'' is estimated at $12.6 million with $1.3 million coming from non-federal sources. This authorization enables the Corps to proceed expeditiously with these improvements and address the serious concerns of those who must navigate the treacherous channel. With $5.8 million already included in the fiscal 2000 Energy and Water Appropriations bill, this provision will ensure that these improvements will be undertaken in the near future.

Mr. President, the Port of Baltimore is one of the great ports of the world and one of Maryland's most important economic assets. The Port generates $2 billion in annual economic activity, provides for an estimated 62,000 jobs, and more than $500 million a year in State and local tax revenues and customs receipts. These two projects will help assure the continued vitality of the Port of Baltimore into the 21st Century.

In addition to port development and improvement projects, the measure contains a provision which will help significantly to enhance Maryland's environment and quality of life and help achieve the goals and vision of the Potomac American Heritage River designation.

It authorizes $15 million for the U.S. Army Corps of Engineers to modify the existing flood protection project at Cumberland, Maryland to restore features of the historic Chesapeake and Ohio Canal adversely affected by construction and operation of the project. Mr. President, the C&O Canal is widely regarded as the Nation's finest relic of America's canal building era. It was begun in 1828 as a transportation route between commercial centers in the East and frontier resources of the West. It reached Cumberland in 1850 and continued operating until 1924 when it succumbed to floods and financial failure. In the early 1950's, a section of the Canal and turning basin at its Cumberland terminus was filled in by the Corps of Engineers during construction of a local flood protection project. Portions of the Canal were proclaimed a national monument in 1961 and it was officially established as a national historical park in 1971. Justice Douglas described the park ''* * * not yet marred by the roar of wheels and the sound of horns. * * * The stretch of 185 miles of country from Washington to Cumberland, Maryland, is one of the most fascinating and picturesque in the Nation.''

The National Park Service, as part of its General Management Plan for the Park, has long sought to rebuild and re-water the Canal at its Cumberland terminus. The NPS entered into a Memorandum of Agreement, MOA, with the Corps to undertake a study of the feasibility of reconstructing the last 2200 feet of the canal to the terminus, through and adjacent to the Corps' flood protection project. The Corps completed this study in July 1995 and determined that ''it is feasible to re-water the canal successfully; the canal and flood protection levee can co-exist on the site without compromising the flood protection for the City of Cumberland; re-construction and partial operation of the locks is feasible; and, based on the as-built information available, underground utility impacts can be mitigated at reasonable cost to allow construction of the canal and turning basin in basically the same alignment and configuration as the original canal.'' A subsequent Re-watering Design Analysis estimated the total project cost at $15 million. This authorization will enable the Corps to proceed with restoring a 1.1 mile stretch of the C&O Canal and revitalize the area as a major hub for tourism and economic development.

The conference agreement also authorizes the U.S. Army Corps of Engineers to undertake a study for control and management of waterborne debris on the Susquehanna River. The Susquehanna River is the largest tributary of the Chesapeake Bay, draining an area of about 27,500 square miles. It is also one of the most flood prone river basins in the nation. The U.S. Army Corps of Engineers operates several reservoirs for flood control and other purposes and there are three large hydroelectric dams on the lower Susquehanna. During high flow events, enormous amounts of debris, including trees, branches and manmade materials, are carried downstream and ultimately into the Chesapeake Bay. Most recently, the flood waters of January 1999 deposited tremendous amounts of debris as far as Anne Arundel County, Maryland, creating hazards to navigation, damaging boats and bulkheads, aggravating flooding and clogging beaches and shorelines. This legislation will enable the Corps of Engineers to evaluate the economic, engineering and environmental feasibility of potential measures to control and manage the amount of waterborne debris as well as determine if new and improved debris removal technologies can be utilized in the Susquehanna.

Finally, the conference agreement includes several other provisions which will help address important water resource needs in Maryland and nearby communities including the flood protection project for the District of Columbia, and the studies for the West View Shores Community of Cecil County, Welch Point and Chesapeake City, MD.

I want to compliment the distinguished chairmen of the Committee and the Subcommittee, Senators CHAFEE and WARNER, and the ranking member, Senator BAUCUS, for their leadership in crafting this legislation and I urge my colleagues to join me in supporting this measure.

## TAXPAYER REFUND AND RELIEF ACT OF 1999—CONFERENCE REPORT

Mr. ROTH. Mr. President, I submit a report of the committee of conference on the bill (H.R. 2488) to provide for reconciliation pursuant to sections 105 and 211 of the concurrent resolution on the budget for fiscal year 2000, and ask for its immediate consideration.

The PRESIDING OFFICER. The report will be stated.

The Legislative clerk read as follows:

The committee on conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 2488), have agreed to recommend and do recommend to their respective Houses this report, signed by a majority of the conferees.

The PRESIDING OFFICER. Without objection, the Senate will proceed to the consideration of the conference report. (The conference report is printed in the House proceedings of the RECORD of August 4, 1999.)

Mr. ROTH. Mr. President, the fundamental question before Congress these past few weeks, as we have debated the Taxpayer Refund Act of 1999, is quite simple: Is it right for Washington to take from the taxpayer more money than is necessary to run the Government?

The issue of tax relief is not any more complicated than that, and the outcome of the conference between the Senate and House makes it clear that we believe Government is not automatically entitled to the surplus that is, in large part, due to the hard work, thrift, and risk-taking of the American people.

Individuals and families are due a refund, and that is exactly what we do with this legislation. We give the people a refund. We do it in a way that is fair, broad based, and empowering. We do it in a way that will benefit nearly every working American, a way that will help restore equity to the Tax Code, and provide American families with the relief and resources they need to meet pressing concerns.

This tax refund legislation will help individuals and families save for self-reliance in retirement. It will help parents prepare for educational costs. It will give the self-employed and underinsured the boost they need to pay for health insurance, and it will begin to restore fairness to the Tax Code by addressing the marriage tax penalty.

How do we accomplish all of this? We begin by reducing our marginal income tax rates by a point. In other words, the 15-percent tax bracket will drop to 14 percent, and the 39.6-percent top rate will drop to 38.6 percent. The new 14-percent bracket will be extended upward to include millions of Americans who are now paying taxes in the 28-percent bracket.

These changes will benefit individuals and families across the economic spectrum. For example, an individual with $40,000 of income will save over $700. An individual earning $50,000 will save over $800. Under this bill, a taxpayer with $70,000 of income will save over $1,000.

This is significant tax relief. When fully phased in, a middle-class family of four with an adjusted gross income of $80,000 will save almost $3,000 a year. This is real savings, money that can be used by individuals and families to meet their pressing needs and objectives.

To restore equity to the Tax Code, this legislation also meets a bipartisan objective by providing relief for the marriage tax penalty, and it does this by doubling the standard deduction and the 15-percent tax bracket for married couples filing jointly.

We can all agree on how important this is. For too long, husbands and wives who have worked and paid taxes have been penalized by their dual incomes. This plan will address that inequity by giving working American couples greater relief.

Let me give an example. Two individuals, each making $35,000 a year, face a penalty of almost $1,500 when they marry. Under this legislation, that penalty will be addressed in two ways: first, by doubling the standard deduction and, second, by doubling the 15-percent tax bracket to include their combined income.

The marriage penalty relief offered in this bill retains the Senate position on the amount of relief received, and it even provides relief for people receiving the earned income tax credit.

To help families with their education expenses, the legislation before us allows taxpayers to increase their contributions to education IRAs, or what will—under the provisions of this bill—be called education savings accounts. Allowable contributions will rise from $500 to $2,000 annually.

And these funds will be available to meet expenses for all students, from kindergarten through college. Beyond increasing the level a family can save for education, this Tax Relief Act also makes interest earned on qualified State and private school higher education tuition plans tax free—a most important development, in my judgment. It also extends employer-provided educational assistance for undergraduate studies, and it repeals the 60-month rule on student loan interest deductions. This will allow individuals to claim tax deductions on interest that they pay on their student loan, without the imposition of a time limit.

To help families meet health care and long-term care needs, this legislation provides a 100 percent above-the-line deduction for those who pay more than 50 percent of their health insurance premiums. This, of course, includes the self-employed. The plan also provides an additional personal exemption for those who care for an elderly relative in their home.

As you can see, this legislation is, indeed, empowering; it addresses concerns that are vitally important in the lives of our families, coast to coast. It provides across-the-board tax relief. It addresses the marriage tax penalty.

It makes education more affordable for all students—kindergarten through college. And it helps our families meet their health care and long-term care needs. But it doesn't stop here; it does much more.

The legislation before us phases out the alternative minimum tax. It provides capital gains tax relief, simplifying the rate structure, and reducing the individual capital gains tax rate from 20 percent to 18 percent, beginning with the current 1999 tax year. For those individuals taxed at the lowest individual rate, their capital gains tax rate is reduced from 10 percent to 8 percent.

In addition, the tax basis of certain assets may be increased by an ''inflation adjustment,'' so that any capital gain attributable to inflation is not subjected to tax. Also, we have maintained the 2 percent capital gains rate differential that is imposed on long-term capital gains from depreciable real estate, by reducing that rate from 25 percent to 23 percent.

Another very important measure is the treatment of estate taxes. This legislation completely phases out and ultimately repeals the Federal estate, gift, and generation skipping taxes. It also corrects technical problems in the House provision.

Each of these will be a powerful tool in the hands of taxpayers and families who will use these changes—their relief—to meet the needs that are unique to their situation. However, a couple of major provisions in this bill that I would like to outline in some detail will—like the across-the-board tax rate cut—benefit everyone, enabling individuals and families to prepare for self-reliance and success in retirement. These, of course, include the expansion of individual retirement accounts and pension programs.

Under the bill, IRA contribution limits will be increased over the next 7 years until they reach $5,000. And taxpayers who are close to retiring will be allowed to make catchup payments in their plans. These changes will in my judgment, be incredibly beneficial. For example, an individual without an employer-provided pension plan, who contributes the maximum amount allowable, as it increases over the next 7 years—with the magic of compounding interest—will be able to put away over $31,000 for retirement. In year 7 and beyond, he or she will be able to put away the full $5,000 annually.

With the catchup provision—applicable for people over the age of 50—if those 7 years pass just prior to the taxpayer's retirement, the amount, for example, he or she could save in those 7 years under this bill would be over $44,000. This bill also increases the income threshold for those who can take full advantage of Roth IRA accounts up to $200,000 for a couple filing jointly.

For employer-provided plans, this bill increases the maximum amount an individual can contribute to a 401(k) plan, a 403(b) plan or a 457 plan. Starting next year, an employee may contribute up to $11,000 to his employer's 401(k) plan In each year thereafter, he could contribute increasing amounts to his 401(k), and in 2005, he will be able to contribute a full $15,000. To show you how empowering this is, if John, a 35-year-old, contributes the maximum amount allowable over the next 30 years, his 401(k) plan benefit at retirement would increase by over $1.2 million.

In addition, if John's employer established a newly added Plus Account program under its 401(k) plan, that amount would be nontaxable when John receives it at retirement. The Plus Account program—as addressed in this bill—lets an employer establish an account which has the same tax treatment as a Roth IRA. That means that John would have over $1.2 million in nontaxable income.

Finally, this bill gives small businesses a new incentive to establish a retirement plan for their employees. The contribution limits for a SIMPLE plan—a defined contribution plan only for small businesses—have been increased in this bill to encourage small business owners to establish such plans. The incentive to establish a SIMPLE plan is easy to understand. Small business owners who offer SIMPLE plans will be able to save up to $10,000 in the plans they establish.

This will be a great benefit to them, but in order to save their own money—as part of the SIMPLE plan—they will have to provide their employees with a contribution to their own plans of up to 2 percent of their salary.

At the same time, under this plan the employees could also receive a matching contribution from their employer of up to 3 percent of compensation if they decide to contribute to the SIMPLE plan.

Now, I believe this is good policy. It will encourage Americans to take advantage of these opportunities and provide for their retirement future. As with almost every provision in this Taxpayer Refund Act, the catalyst is the individual and the family, using tax relief to meet their needs. Every measure I have outlined as part of the Taxpayer Refund Act of 1999 is important, as each rightfully returns resources that Americans can use to meet their current needs, and the refund being offered comes from surplus funds. In other words, this broad-based tax relief package can be passed, signed into law, and, indeed, still leave sufficient resources in Washington to take care of Social Security, Medicare reform, and other necessary Government obligations.

Let me repeat that: This broad-based tax relief package can be passed, signed into law, and still leave sufficient non-Social Security funds available to address comprehensive Medicare reform, including a prescription drug benefit. We can offer this relief and still pay down the debt and keep the budget balanced. We can do all of this for one very simple reason: The work, the investment in job creation achieved by Americans everywhere, has succeeded in creating long-term economic growth. As I have said before, it is not right that the reward for this success is that today our taxes are the highest percent of our gross national product of any time in postwar history.

After paying for the Government programs for which Congress has planned and budgeted, a refund from the surplus must now be returned to the American taxpayer.

I know there is wide agreement that Americans deserve relief. This is the bill that will give them relief. We must and should support it.

We must keep in mind that major tax cuts must be done through the reconciliation process. This is, indeed, a lengthy, time-intensive process. We have successfully completed it. I am proud to say that this conference report, as it stands today, carries no provision that was not in either the House or Senate bill. In other words, nothing extraneous was added in conference. It is clean and representative of the direction received by those who crafted the Senate and House bills.

Frankly, this is a first in tax history. It represents a tremendous amount of work by our colleagues, Members of the House, and the staff in both Chambers. Those who believe we may be coming back to do this again in September are mistaken. This is the tax bill for this year. We won't have a second chance on this. When we come back after recess, our time and attention will be focused on Medicare reform, a vital issue that concerns us all.

For those who are concerned that this major relief package may be too big, please be reminded that there are important trigger mechanisms included in this bill. If we don't continue to reduce the payment on the interest on the national debt—let me repeat that—if we don't continue to reduce the payment on the interest on the national debt, then the tax relief included here will be reduced to compensate accordingly.

Well, the bottom line is that this is tax relief in which we can have confidence. It meets the criteria we established before we began. It is fair. It restores equity to the Tax Code and makes education more affordable. It helps taxpayers prepare for self-reliance and retirement. This legislation will help families keep their homes, their farms, and businesses safe from death taxes. It makes health care more affordable.

I believe these are objectives that are shared by everyone. They are objectives that can be embraced by Senators and Congressmen on both sides of the political aisle.

Mr. President, I encourage my colleagues to vote for passage, and I yield the floor.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. Mr. President, might I begin on a general point with which our revered chairman has just concluded, which is the reservation of the Social Security surpluses of the next decade for purposes of retiring the debt. This is a fact easily unobserved because we are not arguing about it. There is agreement here. What we will do, we will cut the national debt by more than half, the publicly held debt, and the interest costs accordingly.

Just a few years ago interest costs had become the third highest item in our budget. It is not noticed because we don't debate it. We don't decide how much we will pay in interest costs; it is automatic. But this has now happened. There has been a great recovery of American Government finances from a grim moment in 1992 when we had a fiscal year with a $290 billion deficit.

I will point simply to this morning's New York Times and the lead story, sir. I will just read the headline, ''Government Plans to Buy Back Bonds and Save Interest: Would retire some debt using the surplus to replace high-interest securities at lower rates''—a complex proposal being worked out in Treasury under Secretary Summers. Also, in the business section of this morning's New York Times, there is another story, ''The Dwindling Market in U.S. Treasury BONDS,'' discussing how the market is going to respond to the bond buy back. And there is this:

> ''This is a sea change,'' said James M. Keller, senior vice president and portfolio manager for Treasury securities at Pimco Advisors, an asset management firm. ''I was struck by the Treasury's observation that the last time there were two back-to-back years of budget surpluses was in 1956 and 1957. I wasn't alive then, so this is a new thing for me.''

Indeed, it is a new thing and hugely to be welcomed.

I might also say that the chairman stated that this bill, which we will vote on at 7:06 this evening, is a clean bill; there is no provision in it that was not in either the House or the Senate proposals. But now I have to say to the Senate, with the utmost deference to my friend—I say to the Senators from Nebraska, Florida, Minnesota, Senator BINGAMAN—we have the word of the chairman, and his word is absolutely bondable in this body. If he says it, it is so. But that is the only way you would know it is so because we just received a copy of the bill this morning, and certainly have not been able to review all 589 pages.

This is not the way to handle the second largest tax decrease in history. There was no conference on this matter. We met formally for 20 minutes, and the negotiation was entirely between party leaders of the majority. It is an age-old practice of the Congress to, at the end of a conference, distribute the signature papers that the conferees sign or do not sign. I was the conferee for this side of the aisle; no signature paper came to me.

There was no participation of any kind from this side of the aisle. I think that would be true in the House as well as in the Senate. That is something we have to watch in terms of our procedures. It was not the way the Senate conducted itself in such a matter when I first came here and became a member of the Finance Committee.

During the debate last week on the Senate version of the reconciliation bill, I attempted to put the debate in a ''doctrinal perspective,'' as I put it. I traced the development from the 1960s of an intellectual movement which holds that the only way to restrain the growth of Government is to deliberately create a protracted fiscal crisis. This was disarmingly put by then President-elect Reagan. It was just 16 days before his inauguration in 1981. He said:

There were always those who told us that taxes couldn't be cut until spending was reduced. Well, you know, we can lecture our children about extravagance until we run out of voice and breath. Or we can cut their extravagance by simply reducing their allowance.

So in 1981 to 1983, the allowance of the Federal Government was reduced. While other intervening events—a sharp recession in 1981–82—impacted on revenues, nonetheless, there was a precipitous drop in revenues from 19.0 percent of GDP in 1980 to 17.5 percent of GDP in 1983. Simultaneously, the recession and defense buildup conspired to increase outlays from 20.2 percent of GDP in 1979 to 23.6 in 1983. The result, a huge gap—6 percent of GDP—between revenues and outlays, and deficits of $200 billion or more ''as far as the eye could see,'' to quote the former Director of OMB, David Stockman, and with this huge gap, the national debt quadrupled from under $1 trillion to $4 trillion between 1980 and 1992.

In August of 1993, with a deficit of $290 billion, we chose to confront that, to raise taxes and reduce outlays by a little more than a half trillion dollars. More recently, the Office of Management and Budget estimated that ''the total deficit reduction has been more than twice this—$1.2 trillion.'' In 1997, a bipartisan measure was passed. We are now in a situation of reasonable surplus, reasonable expectation. But there is no reason to act on a surplus that does not yet exist.

Here we are, with unemployment at 4.3 percent, near zero inflation, real economic growth at 4 percent, and an economy in the ninth year of an expansion. All the economists—the ones we care much about—are saying: Not now. Alan Greenspan suggested, speaking before the Senate and House Banking Committees just last month, the most effective means that we can have to regenerate the economy and keep the long-term growth path moving higher is if we hold tax cuts until we need a stimulus. Contrariwise, to stimulate when you don't need it is to invite inflation—inflation, which is a tax on anyone when interest rates go up. Anybody who pays a car loan and has a credit card or a mortgage pays it.

Dale Jorgenson described this persistent interest in cutting down the size of Government by reducing revenue ''fiscal disaster'' in his 1995 testimony before the Finance Committee. Yet it persists as a conviction. There is very little testing of the proposition.

I won't go on too long in this doctrinal discourse, but back in 1973, Herbert Kaufman of the Brookings Institution published a small book called ''Are Government Organizations Immortal?'' He reported that of 175 organizations he could identify in the Federal Government in 1923, no less than 148 were still there a half century later, and of the others, most of their functions had just been moved to different organizations.

Recently, the Cato Institute, a conservative group here in Washington, looked at the half dozen organizations which the 1995 House Contract With America targeted for extinction—$75 billion worth of programs, out. Sir, not one of them is out. Indeed, the appropriations for them have gone up by $2 billion.

Mr. President, I ask unanimous consent that a table prepared by the Cato Institute and printed in the Washington Post be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

[From the Washington Post, Aug. 3, 1999]

GROWING BACK

In 1995, the House GOP's ''Contract With America'' targeted $75.3 billion worth of programs for extinction. Now the government spends $77 billion on those programs. Here are some of the targeted agencies and programs for which spending has risen, in millions of dollars.

| Program | 1995 | 1999 |
|---|---|---|
| Department of Commerce | $3,401 | $4,767 |
| Department of Education | 31,205 | 34,360 |
| School-to-work grants | 82 | 503 |
| Goals 2000 | 231 | 507 |
| Manufacturing Extension Partnerships | 40 | 128 |
| Aid to East Europe and Baltic states | 332 | 450 |
| Economic Development Administration | 350 | 438 |
| Adult education | 299 | 400 |
| Star Schools | 25 | 45 |
| Summer youth employment and training | 867 | 871 |
| Bilingual and immigrant education | 225 | 386 |
| Trade adjustment assistance | 268 | 307 |
| Intelligent transportation system | 143 | 185 |

Source: Cato Institute analysis of federal budget.

Mr. MOYNIHAN. Somehow we have to come to terms with this whole assumption. Perhaps something like the Hoover Commission on the organization of the executive branch needs to be done. Some of us have the assumption that we really aren't that serious. As that brief ceremonial meeting of our conferees this week opened, our respected friend—and we have known each other for a quarter century—BILL ARCHER said in his opening remarks:

We don't need full-time Government and part-time families; we need part-time Government and full-time families.

In no way to cast any suggestion that he is anything but absolutely sincere, I don't think the proposition would survive close inquiry. I asked him: Sir, do you think we could settle for ''a part-time Marine Corps, or a part-time Federal Bureau of Investigation?'' No, you don't mean that.

I, for one, very much share the view that the Federal Government has taken on too many matters and needs to be cleared out a very great deal. Our Federal system makes that possible, and the world situation in which we now find ourselves makes it necessary but not through the illusion that it will happen simply by reducing revenues.

I wish to make the point that we can't afford this tax cut. We may want one in 5 years time or in 3 years, but not at this time. That is why the fate of this measure has already been settled.

According to the Joint Committee on Taxation, tax expenditures are projected to cost about $672 billion in 2003. While we have not yet had time to adequately scour the conference report for all of its provisions, a cursory review indicates that, the bill we are asked to vote on today would increase annual tax expenditures by about $19 billion in 2003.

Under the Congressional Budget and Impoundment Control Act of 1974, a tax expenditure is a revenue loss:

. . . attributable to provisions of the Federal tax laws which allow a special exclusion, exemption or deduction from gross income or which provide a special tax credit, a preferential rate of tax, or a deferral of tax liability.

The problem is that we continue to use tax expenditures as a way of funding programs that we do not seem to have the will to finance with outlays—a problem made all the more severe by the caps on discretionary spending alluded to earlier.

On a more global scale, 40 years ago Walter Heller, Chairman of the Council of Economic Advisers in the Kennedy-Johnson Administration spelled out the criteria for evaluating tax expenditures—criteria which most tax expenditures fail to meet. In testimony before the House Ways and Means Committee Heller stated that Federal fiscal policy relies on income taxes for three central roles: (1) Placing resources at the Government's disposal in a non-inflationary way; (2) Offsetting fluctuations in the private economy; and (3) Bringing the distribution of income more closely into line with public preferences.

Heller then argued that the use of the tax code to promote other objectives should be subject to stern tests, which can be summarized as follows:

Is the tax preference for a legitimate public purpose?

Is the tax preference the most effective way to achieve that purpose?

Is the preference targeted?

In Heller's view most tax preferences fail the test. Yet, he noted we persist in expanding tax preference because:

The back door to Government subsidies marked ''Tax Relief'' is easier to push open than the front door marked ''Expenditures. . . .''

Besides, tax expenditures need not be reviewed annually through the appropriations process.

This bill also adds to the complexity of the tax code. I have long been concerned that today's tax system is so complex that ordinary taxpayers have difficulty following the rules. For example, under the bill capital gains are indexed. The Senate Finance Committee held hearings on February 16, 1995 regarding the enormous new record keeping burdens that would be required to calculate the gain or loss on common transactions. The New York State Bar Association stated that:

Congress should reject any proposal to adjust or ''index'' the basis of capital assets for inflation. [A]n indexation regime would create intolerable administrative burdens for taxpayers and administrators as well as offer numerous tax arbitrage and avoidance opportunities for aggressive tax planners.

The Joint Committee on Taxation wrote at that time that ''[i]ndexing would involve a significant amount of record keeping'' and that it ''would substantially increase the number of calculations necessary to calculate taxable gain for many common transactions.''

Even if this bill did not risk a return to protracted fiscal crisis, and even if its 589 pages did not add to the complexity of the code, it should be rejected because most of the benefits accrue to those already well-off.

My colleagues on the other side of the aisle argue that the bill justifiably provides most of the tax relief to those who pay most of the taxes. But their analysis is incomplete since it is based solely on the distribution of income taxes. For example, taxpayers earning less than $50,000 pay 36 percent of payroll taxes; while those earning over $200,000 pay only 7 percent of payroll taxes.

The conclusion is very different if the analysis is based on the distribution of all federal taxes—income, excise, and payroll. Those earning less than $50,000 pay almost a quarter of the taxes, which is the same percentage as those earning over $200,000. So, why is it that the Republican tax bill before us today only provides 14 percent of the tax cut to those earning less than $50,000 while providing 78 percent of the tax cut to those earning over $80,000? Even worse, why does 45 percent of the tax cut go to the top 5 percent of income earners, those earning over $155,000? Should we not provide a more equitable tax cut?

We might also consider heeding the advice of Herbert Stein, Chairman of the Council of Economic Advisers in a Republican Administration. In an op-ed in yesterday's Wall Street Journal Mr. Stein had this to say:

. . .I [have] come to the conclusion that we should not make a large tax cut at this time. But my purpose here is not to sell that conclusion. What I am trying to do is to sell the idea that we need a more systematic, explicit and thorough public discussion of the tax vs. debt reduction issue and to illustrate what some of the elements of such a discussion would be.

We have not had that debate.

I see that my learned friend, the gallant Senator from Nebraska, is here, and I think he would like to speak.

The PRESIDING OFFICER (Mr. VOINOVICH). The Senator from Nebraska.

Mr. MOYNIHAN. Mr. President, I yield such time as he may require to Senator KERREY.

Mr. KERREY. I thank the Senator from New York very much.

I am sorry I didn't wear the same necktie that he did. Other than that, we are deeply matched.

Mr. President, first I want to compliment Chairman ROTH. I believe all through the Finance Committee deliberations and last week on the Senate floor he held true to two ideas that I share.

The first is that we can cut taxes. The second is we must do so fairly. Indeed, the net effect of cutting taxes by nearly $800 billion over ten years is to give the American people an $800 billion increase in their after-tax income. I believe we can do it safely. We have $3 trillion in surpluses forecast over the next ten years. And I don't believe that cutting taxes will generate inflation if done correctly.

In his original package, the Chairman held true to the idea that some standard of fairness need be applied in how the income tax cuts would be distributed. He attempted to do that. Doing that caused him a little grief on his side of the aisle. I appreciate very much what the chairman attempted to do with his original tax cut package.

Accordingly, I voted for the package enthusiastically on the floor. I believe it was a good proposal. I may have written it a little differently if I were the one who was doing the writing. But I thought it was a balanced proposal and a good proposal, and I was fully supportive of it. I was one of four Democrats to do so.

Thus, I come to the floor with some regret. I say to my friends on the other side of the aisle that you should know that people like me took a position that said we were prepared to vote for a tax cut of $800 billion. The Chairman's original package received 57 votes on this floor. I understand the other side has been working all night to get the votes to pass the package we have before us and I suspect the most votes this package will receive is 52. So I say to my friends on the other side of the aisle, if you are trying to get a piece of legislation passed to try to change the law and give Americans an income tax cut, you are going in the wrong direction. With the President threatening to veto the bill, it seems to me that a better approach would have been to try to get more votes, not fewer.

I am here, regrettably, to say that I will not only change my vote from an enthusiastic ''aye,'' but I will now change and be voting enthusiastically ''no.'' Let me tell my colleagues why.

First of all, I want to identify some things that are in this package that I think would be good. I appreciated very much the chairman fighting for them and getting them into the bill, and I am fully supportive of them.

Eliminating the marriage penalty is terribly important. There are new provisions in here which will make it more likely that Americans will save and will have the resources they need for retirement. There are provisions in here which will make it more likely that Americans will have health insurance, and that will make it more likely that Americans will be able to afford the cost of higher education.

I do not object at all to eliminating the inheritance tax. I cosponsored legislation to do that. I am not going to take a great deal of time explaining why, as a Democrat, I reached that conclusion. I am prepared, if anybody is interested, in debating it at a later time.

I am not ideologically opposed to lowering the capital gains tax.

There are many things in this proposal that I, in short, like or don't have strong objections to. It is this test of fairness which I believe was applied to the Senate version that I find lacking in the conference report.

Let me take the one provision that is the most important provision in the Senate version.

The provision that cut the lowest tax rate on income from 15 to 14 percent that was in the Senate finance bill would have cut taxes for families in Nebraska with an income of $46,000, for a family of four, by $440. It would have cut taxes on a U.S. Senator with a spouse and two kids by $440 as well. That was the idea.

I am not interested in engaging in class warfare. I have no quarrel with upper-income Americans or upper-income Nebraskans. Quite the contrary. In Nebraska, there were 775,000 federal income tax returns in 1996. Of that, 6,500 had adjusted gross incomes of over $200,000. That is a relatively small number. But they paid almost a third of all the $3.6 billion in federal taxes paid by Nebraskans.

So I am not here to say that upper-income people don't deserve a tax break. I think it is very important for us to take a look at America and try to discern which taxpayers are most in need of help. It is, it seems to me, a fair question for us to ask. And to try to apply a standard of fairness, it seems to me, is something we ought to be doing.

Under last week's proposal, a single Member of Congress, I would have gotten a $260 tax rate cut, just as a single person with $26,000 of income. But under this proposal, by decreasing the taxes for everyone at higher rates as well, a Member of Congress, a single Member such as myself, I am going to get a tax cut of $1,185. I get over $900 more under this proposal. And if I got married, I would do even better.

I can make an argument that because I am paying more taxes I ought to get more of a tax cut. But look at households. A family of four with $46,000 worth of income probably ought to have a larger tax cut than I do. At the very least, I should not receive more than they do. That is what I mean when I say that this bill, when it passed here last week, met the minimal standard of fairness.

I say to my friends on the other side of the aisle that if you are trying to figure out how to get more votes and not fewer, you have now figured out how to get fewer. You had 57 votes on this side last week. The high water mark today, in my view, is likely to be 52. I understand that the conference report had to be reopened in the later hours of yesterday evening and some provisions had to be put in to woo some votes for a bare majority. I know there were some concerns that the Vice President might be sitting up there at the end of business today and there might be no more than 50 votes for this legislation. All of that should be a sign. You had 57 votes. Yesterday you did not have 50. Something is going in the wrong direction.

I believe a majority of Democrats and Republicans in chamber, want to apply a standard of fairness. The distinguished junior Senator from Texas, offered an amendment on this floor last week that would increase the standard deduction for a married couple. Why did she want to eliminate the marriage penalty for people who are using the standard deduction? It got a lot of Democratic votes and a lot of Republicans votes. Indeed, I think it was the only amendment that actually broke the 60-vote requirement. That is a clue. That was a fairness issue and the junior Senator wanted that fairness applied to married people who take the standard deduction, people who do not itemize, people who are generally not in the upper reaches of income in this country.

I'm not talking about crafting a social engineering package. What I am talking about is applying a standard of fairness.

As I said, I have great respect for the chairman of the Finance Committee. I believe he attempted to apply a standard of fairness, and, in my judgment, his package of last week passed that test. I voted for it enthusiastically. But the conference committee report does not pass that test. It does not pass the test of fairness.

So I enthusiastically and confidently will vote ''no'' on it. I do so regrettably because I believe there was an opportunity this year not just to do this but to get a bipartisan solution on Medicare and to get a bipartisan solution on Social Security. The package before us today does not bode well for future bipartisan efforts to come up with those solutions.

This bill had 57 votes last week. As I said, were it not for the sort of last-minute work to try to have some changes to get some additional votes, it might not have even 50 votes later today when we will have a vote on final passage.

I say to my Republican friends, if you want to cut Americans' taxes, listen not just to what Democrats are saying but also listen to what Republicans are saying. They want a standard of fairness applied. It is a legitimate concern.

I don't know how many Members of the Senate believe that $800 billion is too much. I believe the distinguished occupant of the Chair does. He fought very hard as mayor and Governor, and I think he is coming to this Congress saying we ought to be careful not to spend the surplus and lose all the progress that we have made. Fine. Make that argument.

But for the majority of us who believe that $800 billion is not too much, if we want to persuade our reluctant colleagues to support cutting taxes for American families, then you have to apply a standard of fairness, a test of fairness. You may not like doing it. You may believe your ideology tells you that you should do something else. But if you want to change the law and get this done, you had darned sure better do it, because not only will you not get the strong majority you will need but you will never, in my judgment, get the President of United States to sign a piece of legislation that doesn't attempt to measure and apply some test of fairness.

Again, I appreciate very much the work that the distinguished chairman did, Senator ROTH of Delaware, as well as the ranking Democrat, Senator MOYNIHAN. I appreciate very much the leadership of both of them. Senator MOYNIHAN led the Democrats in the committee to come up with a $300 billion tax cut proposal. It had a very key component in there, which was to increase the standard deduction for individuals. That takes a number of people off the income tax rolls, reduces the top tax rate for many and simplifies tax filing for millions.

I suggest to my Republican colleagues on the other side of the aisle that if you want to get a bill, that is the kind of proposal that you should have included in this package and it is unfortunate that you did not. It is unfortunate that the centerpiece of the tax proposal that we voted for last week—the reduction of the 15 percent tax rate to 14 percent—was not left alone. If there is a second chance to consider a tax bill this year, I hope we will work harder to pass a bill that will get significant support from this side of the aisle and the way to do that is to ensure a bill meets a basic standard of fairness.

I yield the floor.

The PRESIDING OFFICER. The Senator from Minnesota.

Mr. WELLSTONE. I thank the Chair.

Mr. ROTH. I yield 10 minutes on behalf of the minority to the distinguished Senator from Minnesota.

Mr. WELLSTONE. I thank the Senator from Delaware. Let me start out by saying I also appreciate the work of Senator ROTH as the chair of the Finance Committee. However, I am in profound disagreement with this reconciliation bill, this tax cut bill, that comes before the Senate—$792 billion in tax cuts, aggregate amount.

According to Citizens for Tax Justice, the top 1 percent of taxpayers would receive 42 percent of the benefits, while the bottom 60 percent would receive only 7.5 percent of the benefits. Regarding distributional effect, my colleague from Nebraska talked about a standard of fairness: 60 percent of all taxpayers would get an average tax cut of $65; the wealthiest 10 percent would get an average tax cut of $1,322; the wealthiest 1 percent would get an average tax cut of $5,281.

This tax cut bill that the Republicans bring to the floor of the Senate is ''Robin Hood in reverse'' economics. Even worse, I think it represents a politics of illusion.

Not that long ago others, I think former President Bush, talked about voodoo economics. He was referring to a set of proposals in the early 1980s that said we could have massive tax cuts, increase Pentagon spending, make the investments we needed to make as a nation, and continue to reduce the deficit. That is not what happened.

It is pretty simple, I say to the people in Minnesota, and to the the people in the Nation. We are in agreement, I hope, that of the $3 trillion of surplus, $2 trillion is Social Security. It is not touched. It is to make sure that system will be solvent. Of the other $1 trillion, three-quarters of it is in assumed cuts—assuming we have the economic growth in discretionary domestic spending.

With this proposal before the Senate that the Republicans bring to the floor of the Senate, not only do we have tax cuts and benefits to people in inverse relationship to need, a ''Robin Hood in reverse'' economics, but we have a politics and an economics of illusion. We are going to explode the debt. We are going to build the debt up again. In addition, we are not going to be making the investments that we in our speeches on the floor of the Senate say that we are for.

I heard my colleague from Delaware talk about health care, talk about education, talk about children, talk about tax cuts. One more time, to use the old Yiddish proverb: ''You can't dance at two weddings at the same time.''

We are not going to be able to have this amount of tax cuts, $792 billion in tax cuts, and at the same time continue to pay down the debt and make the kind of investments we need to make. We are going to see, America, is cuts in Head Start, cuts in low-income energy assistance, cuts in community policing, cuts in environmental protection, cuts in veterans' health care, and cuts in Pell grant programs. We are not going to make any of the investments to which we say we are committed.

I think this tax cut legislation before the Senate is in many ways more serious than bad economics. And it is bad economics. It is bad economics because it will build up the debt rather than pay down the debt. It is bad economics because it could very well lead to higher interest rates. It is bad economics because it is the last thing we ought to do in an expanding economy. In addition, it is bad economics because we are not going to be able to make the investments that my colleague from Delaware says we are committed to at the same time we are doing all these tax cuts.

It is also an illusion. It will put this country in a straitjacket where we are not going to be able to do one positive thing to make sure we have equal opportunities for every child in this country. We are not going to increase Head Start benefits; we are going to cut them. We are not going to increase health care benefits for our citizens; we are going to cut them. We are not going to do anything about the acute shortage of affordable housing; we are going to cut housing programs. We are not going to get it right for veterans in health care; we are going to cut. We are not going to do anything about the shameful statistic of right now providing benefits for only 1 percent of the kids who would benefit from Early Head Start in our country; we are going to cut.

There is not one Senator who can come to the floor of the Senate and debate me on the argument I have just made. That is exactly what we are going to do.

This is also an ideological debate. If Members believe—and maybe this is what my colleagues now believe, let me now give credit—when it comes to the most pressing issues of people's lives in the United States of America, or Minnesota, that there is nothing that the government can or should do, if you don't think we should be making any of these kinds of investments in Pell grants, or affordable child care, or Head Start, or community policing, or veterans' health care, or health care, or affordable housing, then you would be for this conference report. What this will do is put this country in a straitjacket where any kind of an investment that any Senator will talk about to expand opportunities for our citizens will be, by definition, fiscally irresponsible because we won't have any of the revenue.

I conclude this way. The political argument behind these tax cuts is a pretty effective argument if you listen to it only up to a point. The argument is that we built up the surpluses—maybe, assuming the economy continues to perform. Let's give it back to the citizens; it is your money. People in Minnesota, it belongs to you.

I maintain, as a Senator from Minnesota, it doesn't belong to me; it doesn't belong to adults. It belongs to our children, and it belongs to our grandchildren. Whatever surplus there is ought to be used to pay down the debt. We put it on their shoulders. Whatever surplus there is ought to be used to make sure their Social Security and Medicare is there, just as it will be there for us. It ought to be used to make sure there are opportunities for children so that our children and our grandchildren have the same opportunities that we have had.

The Presiding Officer, the Senator from Ohio, is committed to early childhood development. The Presiding Officer, the Senator from Ohio, came to the Senate with a commitment to children. I know that. That is his passion, and he will make an enormous difference. I don't care whether he is Republican or not. I know what he cares about, and I know he is an effective Senator.

With this measure of tax cuts, if this legislation passes, we will not only not be making any additional investments in the way we should in early childhood development, such as Early Head Start or Head Start, much less what we really should be doing for child care, much less nutrition programs, much less affordable housing programs, we will be cutting those programs.

That is shameful. That is unconscionable. That is exactly what we will be doing. I say to the President of the United States of America, Mr. President, you should veto this legislation. Let's not get into Washington, DC, bargaining where we say $500 billion or $600 billion is a reasonable compromise. If that is what we do, we still will not be in a position to make any of these investments. We still will see cuts in discretionary spending to the tune of hundreds of billions of dollars. Let's pay down the debt. Let's make sure we make a commitment to Medicare and Social Security. More than anything else, I would rather see more of the emphasis on an investment in children. I believe when we pay down our debts, the most important debt we can pay off is the debt we would leave our children.

What we owe our children is to make sure that every child in the United States of America—regardless of color of skin, regardless urban or rural, regardless high income or low income or middle income—has the same chance to reach his and her full potential. These tax cuts will make that impossible.

I yield the floor.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. ROTH. Mr. President, just so the record is clear, we have 6 hours, 3 hours to a side. The two managers have agreed we will go back and forth from one side to the other when people are present. But that is not the case now. So I yield 15 minutes on behalf of the minority to the distinguished Senator from North Dakota.

The PRESIDING OFFICER. The Senator from North Dakota.

Mr. CONRAD. Mr. President, this is an editorial that appeared in the New York Times on August 2. It says: ''Here we go again.'' That is exactly what this tax bill is all about. Here we go again.

> Back in 1980 Ronald Reagan assured one and all that he could cut taxes sharply, increase defense spending substantially and balance the Federal budget.

That is the promise he made. It did not work out that way. The deficits exploded. George Bush at the time:

> . . . famously derided Mr. Reagan's supply side fantasies as ''voodoo economics.''

We all remember that. The veteran Washington Post reporter Lou Cannon, in his book ''President Reagan, the Role of a Lifetime'' described the reaction of James Baker, Mr. Reagan's own chief of staff, to the transformation of economic fantasy into national policy. He wrote:

> Though not particularly well-versed in economics, Baker suspected there was something screwy about the idea that massive tax cuts would increase government revenues. Later, he would privately express regrets that the deficits had 'gotten away' from the administration and wished he had paid more attention to the consequences of the tax cuts.

Here we go again. Again, we have the fantasy being held out to the American people that somehow you can have a massive tax cut, you can have a big defense buildup, domestic needs will not be hurt, and somehow it is all going to add up. The problem with it is it is highly unlikely to happen. Let's just check the record. It shows very clearly what happened in the Reagan administration when they had this fantasy that they were going to cut taxes dramatically, have a big defense buildup. Somehow it was all going to add up. It did not add up and this plan does not add up.

This is what happened back then. President Reagan inherited a deficit of just under $80 billion and he promptly shot it to $200 billion. That is what happens when we just put our head in the sand and get wedded to an ideology and do not care about the economic results, or the economic fallout. This plan is a disaster. I do not know how else to say it. It is risky; it is radical; it is reckless. We would make a profound mistake to pass it today.

We then went into the Bush administration and the deficits went up, up, and away again. It went up to $290 billion in 1990.

In 1993, President Clinton came into office and we passed a 5-year budget plan to cut spending and, yes, raise income taxes on the wealthiest 1 percent. That plan worked. Each and every year of that 5-year plan the deficit came down until finally we have achieved a balanced budget. Why would we ever want to go back? Why would we ever want to repeat the incredible mistakes this country made in the 1980s that threatened the economic security of this country, that put this country's economy in a ditch, that led to recession, that led to job loss, that led to an extinguishment of economic growth? Why would we want to repeat that tragic mistake? Yet here we are. ''Here we go again.'' Goodness knows, don't we have more common sense than this?

This is not just my view. This is the view of economist after economist who has looked at this proposal. Mr. Samuelson, the columnist, wrote:

> The wonder is that the Republicans are so wedded to a program that is dubious as to both policy and politics.

He went on to say:

> As Federal Reserve Chairman Alan Greenspan noted the other day, tax cuts might someday be justified to revive the economy from a recession or to improve the prospects of a sweeping program of tax simplification. But there is no case for big tax cuts based merely on paper projections of budget surpluses.

That is what this is. These are plans based on projections of what might happen over the next 10 years. What a risky way to run the economy. What a reckless way to run economic policy, to run out here and shovel $800 billion out the door before the money is collected. That puts this entire economy at risk. That puts this entire period of bringing down the deficit at risk. That puts this entire successful economic policy of improving economic growth, reducing unemployment, reducing inflation at risk. It is a mistake we should not make.

This columnist points out:

Suppose that spending exceeds projections by one percentage point of national income and that tax revenues fall below projections by the same amount. In today's dollars, these errors . . . not out of line with past mistakes . . . would total $170 billion annually. Most of the future surpluses would vanish.

That is the reality. We are betting the farm on projections of what is going to happen over the next 10 years. Does anybody believe these projections are going to come true?

I used to be responsible for projecting the income of the State of North Dakota. That was my job. I can tell you, projecting 5 years out is very risky. Frankly, it is hard to project 1 year out. Projecting 10 years out is a total crapshoot and we are basing the economic security of this country on a 10-year projection? Are we really going to do that?

I ask my colleagues, are we really going to do that? Is this what you are seriously proposing for the United States, after the economic success we have enjoyed by reducing the deficits, by reducing debt?

Some of the very same people who said the 1993 plan would not work are here today, advocating this risky scheme. The 1993 plan, as I showed, worked. That 5-year deficit reduction plan, in fact, reduced the deficit each and every year. But when we passed it in 1993, the other side said it would crater the economy; it would ruin us.

This is what Senator GRAMM, who is on the Budget Committee and on the Finance Committee, said back in 1993:

I want to predict tonight that if we adopt this bill the American economy is going to get weaker and not stronger, the deficit 4 years from now will be higher than it is today and not lower. . . ..When all is said and done, people will pay more taxes, the economy will create fewer jobs, government will spend more money, and the American people will be worse off.

That is Senator GRAMM in 1993 when we passed the plan that did just the opposite. Let's look at the record. We passed that plan in 1993, and here is what happened: Unemployment went down to the lowest level in 41 years.

Senator GRAMM and the advocates of opposition to the 1993 plan, who are the very ones who are the advocates of this plan today, were wrong. They said it was going to increase unemployment. They were wrong. We have the lowest unemployment in 41 years. They said that that economic plan would increase inflation. They were wrong. That plan reduced inflation to the lowest level in 33 years.

Mr. President, it does not stop there. Look at the economic growth. They said the 1993 plan would retard economic growth. They were wrong. Look at the record. We have the strongest economic growth during the last 6 years of any administration going back to the administration of Lyndon Johnson.

Friends, people who are listening across the country, let's think a minute: Is the economy in good shape or is the economy in bad shape? I think every one of us knows we have the strongest economy in anyone's memory. That was built on a plan of reducing the deficits, relieving pressure on interest rates, making America more competitive, reducing home interest loans, reducing car loans, reducing student loans, because there was less deficit, less debt. Now we are on the brink of completely changing that policy and going back to the bad old days of deficits and debt and decline. Are we really going to turn back the clock to those days? I hope not. I hope we do not make as foolish a mistake as that.

Because of the 5-year plan put in place in 1993, not only have we gotten the lowest unemployment, the lowest inflation in decades, the strongest economic growth in decades, we have also seen welfare caseloads decline dramatically. That is the record. That is the fact.

The other side says: Oh, but wait a minute. Taxes are the highest they have been in 20 years.

They are not telling the whole story. Here is what has happened. Remember when we had deficits, we had a gap between the revenue of the United States and the spending of the United States. The blue line is the spending; the red line is the revenue.

Go back to 1993. There was the gap. That was the deficit, $290 billion. We cut the spending line, and we raised the revenue line. That is how we balanced the budget. We cut spending; we raised the revenue line.

When they say the taxes are the highest they have ever been, again, they are not telling the whole story. Revenues are strong because the economy is strong, but individual taxpayers are not paying more in taxes; most are paying less. That is not the Senator from North Dakota speaking, that is the respected accounting firm of Deloitte & Touche. They analyzed the tax burden, including payroll taxes and income taxes, of a family earning just under $20,000 a year. They looked at 1979, and they looked at 1999.

In 1979, that family was paying 8.6 percent of their income in taxes—payroll taxes and income taxes. That burden has been reduced to 5 percent. Why? Because when we raised taxes on the wealthiest 1 percent in the 1993 plan, we also cut taxes on 28 million Americans by increasing the earned income tax credit. So we reduced taxes for individuals.

The same is true for a family of four earning $35,000 in 1999. Again, the respected accounting firm of Deloitte & Touche went out and looked at their tax burden: 1979, 11.2 percent. That has been reduced to 10.5 percent in 1999. It is also true of a family earning $85,000 a year. In 1979, they had a total tax burden of 17 percent; in 1999, 16.3 percent.

Does that mean there should not be any tax relief? No. We should have tax relief, but we ought to have a responsible package of tax relief, not one that threatens to put us back in the economic ditch of deficits and debt. Unfortunately, that is what the Republican plan does.

On the question of the fairness of this proposal, if this is fair, I do not understand fairness. They are going to give to the top 1 percent in this country with an average income of $837,000 a $46,000 tax cut. They are going to give to the bottom 60 percent of the income earners in this country, the vast majority of people on average, a tax reduction of $138. That does not strike me as very fair.

Let's check their math. We have heard over and over they are just giving 25 percent of the money that is available in surplus back in a tax cut. That is interesting math they are using. Let's check it.

The total surplus is $2.9 trillion. That is the CBO estimate.

I ask for 3 additional minutes.

Mr. ROTH. I yield 3 minutes on behalf of the minority.

The PRESIDING OFFICER. The Senator has 3 more minutes.

Mr. CONRAD. Look at what CBO is projecting—and I emphasize projecting—as the surplus over the next 10 years, $2.9 trillion. But $1.9 trillion of that is Social Security. If you take that out, you have $1 trillion left. Republicans are proposing nearly $800 billion of tax cuts. When you do that, you add interest costs of $141 billion. That only leaves $63 billion left for debt reduction, for strengthening Medicare, for domestic needs. They are using not 25 percent of what is available; they are using 94 percent of what is available, because we have all agreed that none of the Social Security money is available.

The only way they get this number of 25 percent being used for a tax cut is when they include Social Security in the base. Are they proposing we are going to use 25 percent of the Social Security money for a tax cut? No. So they are using phony statistics. They are applying this 25 percent to two-thirds of the money that is Social Security money. They are taking 94 percent of the money that is truly available for this risky tax cut.

Here are the choices: Republicans say $800 billion of tax cuts; nothing to strengthen Medicare; nothing for domestic needs; they have $63 billion unallocated.

Our proposal in the Senate was balanced. We said save every penny of Social Security for Social Security and then one-third for tax relief; one-third to strengthen Medicare—and, by the way, this money is not needed immediately so it can be used for the next 15 years to pay down debt—and one-third of the money for high-priority domestic needs, such as education, defense, and agriculture.

That leads our friends on the other side to say: There go the Democrats again; they just want to spend money.

Let's examine that notion. This blue line shows constant buying power of what we do with Federal spending now for domestic needs. That is what would happen if we had constant buying power. The Democratic plan is represented by this red line. It is a cut from current buying power. Here is the Republican plan down here. They have a massive cut, $770 billion over the next 10 years from what current buying power would permit.

They do not want anybody to talk about this, but the reality is, they are advocating deep cuts in education, in defense, in agriculture, and in all the rest—parks, law enforcement—because there is no way to avoid this mathematical reality. They came to this Chamber with a chart that said, yes, you could accommodate this tax cut if you froze all domestic spending for 10 years. It has never been done. What is amazing about it is that it is not what they are doing in the Appropriations Committees that meet every day. They are spending additional money.

I ask for 1 additional minute.

Mr. ROTH. On behalf of the minority, I yield 1 minute.

The PRESIDING OFFICER. Without objection, it is so ordered. The Senator is yielded 1 minute.

Mr. CONRAD. I thank the Chair.

Mr. President, let's be honest with the American people. This plan does not add up. It threatens to take us back to a period of growing debts. It fails to meet high-priority domestic needs such as education and agriculture and defense. It does not do anything to secure Medicare for the future. It is not real. It is not balanced. It is not responsible. This plan is not conservative.

It is radical; it is risky; it is reckless. It ought to be rejected.

Mr. DORGAN. Mr. President, I ask unanimous consent that the Senator from North Dakota be granted 2 additional minutes from the minority time so he might be able to respond to a question.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DORGAN. Mr. President, I think Senator CONRAD makes the most compelling presentation in the Senate on these budget matters. The charts he has used today have been extraordinary in their description of the folly here with respect to this plan.

I want to ask the Senator to go back to a couple charts with respect to those who made predictions some years ago because I thought that was very telling. The practice of augury in old Roman times was that the high priest would read the flights of birds and the entrails of cattle in order to evaluate the future.

We have some folks who are practicing augury in the Senate. They are the prophets who have described to us how wonderful this plan is. I know the Senator used, a bit ago, the same kind of descriptions from these same prophets 7, 8 years ago.

Could the Senator refer to that again, because I think that is most telling who brings this plan to the Senate, and what were their predictions previously?

Mr. CONRAD. I remember so well. I remember being on the floor of the Senate the day we passed the 5-year plan that got us back on track. I remember Republican leaders saying if we passed the plan, it would crater the economy. I remember Republican leaders telling us if we passed the plan it would increase unemployment, it would increase inflation, that it would cost jobs, that it would wreck the economy. They were wrong, and they were wrong on every single count. They said: If you raise taxes on the wealthiest 1 percent, and you cut spending, it is going to create a nightmare. They were wrong. They were absolutely wrong.

Maybe we are not reminding people enough. Maybe we are not learning the lessons of the past, but we have to because we should not go back to the days of deficits and debt that put this economy in the ditch.

So I am very hopeful we will learn from the past and we will recognize that to come out here, based on a projection over the next 10 years, to justify a massive tax-scheme giveaway that blows a hole in the budget, blows a hole in the deficit, leads us back to the path of debt and is a profound mistake.

It makes us all feel good. I would love to have a tax cut. I have two kids in college, and it is expensive. But I care more about their long-term future. I care about them inheriting a world that is less debt-laden than what we have done to them so far. Because our generation—and here it is—has taken the debt from 1980, and here we are today. This is what we have done with the national debt. We have run up the debt from less than $1 trillion to nearly $4 trillion.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. CONRAD. I ask unanimous consent for 1 final minute.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CONRAD. That is what we have done in our generation. We have taken this national debt of less than $1 trillion and run it up to nearly $4 trillion. That is the publicly held debt. Gross debt is even higher. But this is publicly held debt.

Is that the legacy we want to leave, that we ran up the debt on our watch? I do not think so. This is what could happen if we stay the course. This is what the Congressional Budget Office tells us could happen if we stay the course. We could actually eliminate publicly held debt over the next 15 years. But it will not happen with this plan because we apparently all have our hand out. We want to take care of ourselves first and forget about the future. I hope that is not the legacy we leave.

I thank the Chair, and I thank my colleagues, and I yield the floor.

Mr. ROTH. On behalf of the minority, I yield 20 minutes to the distinguished Senator from Florida.

The PRESIDING OFFICER. The Senator from Florida.

Mr. GRAHAM. I thank the Chair and thank my colleague, the chairman.

Mr. President, last year we learned a very satisfying and important lesson. That is that there are rewards for fiscal discipline. After almost three decades of deficits and mounting national debt, we finally were able to eke out a small surplus. The very prospect of that small surplus has been a major contribution to one of the longest and most expansive periods of economic growth in our Nation's history. This fiscal discipline helped us to create favorable economic and fiscal conditions to address our long-term national challenges, especially our long-term commitments in Social Security and Medicare.

This, frankly, is a time of national celebration. The question is, What kind of celebration? Will it be a prudent and patriotic celebration of our success where we will channel our justified enthusiasm for our accomplishment into positive national family and individual goals or will it be a wanton and reckless celebration? Because our success, our opportunity to celebrate, did not give us license to return to the free spending, free period of increased indebtedness of the recent past. No. We owe it to our children and our grandchildren to save this money, to save this money until we have dealt with our future obligations to them.

Unfortunately, several major legislative actions in the 105th, now the 106th, Congress have made a mockery of our promise to maintain fiscal discipline. As an example, in February of this year, the Senate passed a military pay bill, with great enthusiasm and with great acclamations among those who would be particularly benefited and who hoped that it would strengthen our national security. The problem is, we did not provide a means of paying for it. So we were, in essence, saying we will pay for it out of our surplus.

If last February's legislation was just an aberration, a momentary lack of judgment, an inadvertent haste to turn from impeachment to legislation, it might have been forgiven. Sadly, it cannot be so characterized. It, in fact, was part of a pattern of a continued lack of fiscal discipline. It was the second time, in fact, within 8 months that we had proven ourselves unwilling to take the hard decisions and too willing to sacrifice the well-being of future generations on the altar of expediency.

It was in October of 1998, in the waning hours of last fall's budget negotiations, that we passed a $532 billion omnibus appropriations bill. Included in that bill was $21.4 billion in so-called emergency spending. Since that $21.4 billion of emergency spending could be approved without the necessity of finding any way to pay for it, that funding came right out of the surplus. It took $3 billion out of the fiscal 1998 surplus. It took $13 billion out of the 1999 surplus. It will take $5 billion out of this year's surplus.

The action would have been even mildly palatable had all of the supposed emergency funds been allocated to true emergencies. But, in fact, many of the items that were funded out of the $21.4 billion were items which had in the past been considered normal, regular obligations of the Federal Government, not the necessary, sudden, urgent, unforeseen, temporary needs that are supposed to be the hallmarks of real emergencies.

In June, we made our third raid on the Social Security surplus, a supplemental appropriations bill that again cloaked many nonemergency spending items in emergency designation under the title of Kosovo. With all the negative public attention that had been focused on our previous raids, one would have thought that we might have at least been embarrassed back into fiscal responsibility. But, again, I am sorry that was not the case. So another $4 billion was taken out of the surplus through emergency spending for 1999 and $7 billion will be taken out in the year 2000.

What have we done thus far? We started with a total surplus for 1999 of $137 billion, of which $124 billion was Social Security. But after we had taken $13 billion for the emergency of 1998 and $4 billion for the emergency of 1999, we have reduced our surplus down to $120 billion. So we have spent every penny of the off-budget surplus, and we have spent $4 billion of the Social Security surplus to fund these emergencies.

Now, what is the chart for the year 2000? We started out with a total surplus of $173 billion, of which $147 billion was Social Security. We have the $5 billion from 1998, we have the $7 billion bloated Kosovo emergency expenditure, and just last night, we voted yet another emergency expenditure of $8 billion for agriculture. Today we have on the floor a tax bill that will cut the revenue for the year 2000 by $5 billion. So what started off as a $173 billion surplus has already shrunk to $148 billion. Every dollar of that surplus is Social Security save $1 billion, which, as I will point out in subsequent remarks, is highly in danger.

The action yesterday relative to agriculture represents the difficulty of the dilemma. Certainly American farmers are facing distressful circumstances. I happen to be an American farmer. I think I understand something of their plight. But the way to deal with this problem is not by temporary emergency fixes. The way to deal with this problem is to look at the underlying causes, which might be that we haven't been adequately dealing with fundamental issues such as crop insurance reform or that we have not been sufficiently aggressive in our trade policy in order to ensure there are open markets for American agricultural goods. Those are some of the ways in which we ought to be directing our attention, not through emergency spending to deplete our surplus.

The budget resolution says that emergency spending must meet five criteria. It must be necessary, sudden, urgent, unforeseen, and it must not be permanent. I suggest that many of these expenditures we have made over the last 2 years fail to meet those standards of emergency.

Our fiscal irresponsibility, however, is not limited just to emergency appropriations. We have defined the surplus as the difference between estimated revenue and estimated expenditures. Yet in arriving at those estimated expenditures, we have used unrealistic standards. We have created expenditure expectations that no one in this Congress believes are, in fact, going to be met; thus, the necessity to resort to these kinds of emergency measures. While we are doing that, we are also fundamentally deceiving the American people as to what our Federal Government's policies will be.

Let me use one example.

I ask unanimous consent at the end of my remarks to have printed in the RECORD an article from the New York Times of July 25, ''National Parks, Strained by RECORD Crowd, Face a Crisis.''

The PRESIDING OFFICER. Without objection, it is so ordered.

(See Exhibit 1.)

Mr. GRAHAM. There is no better time than in early August to talk about the state of our national parks, because this is a time of the year when hundreds of thousands of our fellow citizens are taking advantage of one of America's great treasures—its national park system. But it is a treasure which we have been systematically looting through indifference. It is stated in this article that in an assessment made last year, the Park Service estimated it would cost $3.54 billion to repair maintenance problems at national parks, monuments, and wilderness areas, maintenance that has been put off for decades, in some cases, because of lack of money.

Mr. President, while we may deceive ourselves into the statement that we have this significant surplus, it is a surplus which is being derived by a systematic underfunding of important national priorities, priorities which we know eventually are going to be met, but which we are now deceiving ourselves into the false illusion that there is an unrealistic surplus, a surplus which we can now use to fund these massive tax cuts.

The time is now to provide some honest leadership for the American people, not hollow statements and false promises. I am afraid that that leadership and honesty are not to be found in the tax bill before us today.

What I think we need to do is to put first things first. As Ecclesiastes says: There is a time for all things. There is a season to plant and there is a season to harvest.

What is the season today, in this time of national celebration of the results of fiscal discipline? I suggest the season for today is to deal with the challenges of our children and our grandchildren, starting with two critical national programs.

We should provide for the solvency of Social Security for our children and our grandchildren, and we should strengthen Medicare and bring it into the 21st century by providing it with the tools necessary, not just to deal with illness but to do what Americans want—to provide for their health and well-being. We should be funding those medical services that will prevent disease and illness, that will maintain our American people in their highest state of health. Unfortunately, when we have spent the resources that would be necessary to fund this tax cut before having dealt with Social Security and Medicare, there will be no money left to deal with Social Security and Medicare.

The statement will be made that Social Security is off the table; we have already dealt with it; that by placing all of the Social Security surplus into a lockbox to protect it for Social Security, we have discharged that responsibility. Well, first, I say that we have a very leaky lockbox. Willie Sutton was once asked: Why do you rob banks? The answer was: That is where the money is. Well, the lockbox assumes the money has already gotten to the bank. But Jesse James figured out that if he could rob the train before the box got to the bank, he could get the money before it could be placed in the vault. That is essentially what this emergency spending loophole is allowing us to do. We are looting the lockbox before the money arrives.

Even if we put the full amount of the Social Security surplus into the Social Security program, we would only have extended its solvency for our children to the year 2034.

The Greenspan Commission of the early 1980s had recommended that we ought to fund Social Security on a three-generational program, which would mean through the year 2075. We have not completed our task if the only thing we have done is to secure the solvency of Social Security to the year 2034.

Mr. President, we have an opportunity to lead the Nation in the way in which I believe thoughtful Americans wish to go. They wish to be prudent at this time. They wish to celebrate the successes of fiscal discipline and to continue those successes. They want to take care of today's season of business first. They do not want us to embark upon a reckless course which would dissipate our ability to deal with our future needs and place us in the precarious position of depending upon unrealistic estimates of future revenues and a totally unrealistic expectation of future national needs.

So the issue is not the details of this tax proposal, although I believe an examination of that detail would indicate this plan is woefully lacking in basic principles of fairness and equity to all Americans. But the fundamental deficiency of this tax bill is its lack of timeliness. We should not be considering any tax cut until we have taken care of priority business—protecting Social Security for three generations and strengthening Medicare. We should not be considering any tax measures until we are certain the projections of revenue and the estimates of future needs are based on realistic, not political, assessments.

After we have carried out those first tasks, then if there are funds left available—and I suggest there probably will be —then we could consider what would be an appropriate form of returning that measure back to the American people through a tax cut. But, for today, the answer must be no to the measure that is before us. I hope that soon we will be answering yes to the responsibility we have to do America's first business first.

Thank you, Mr. President.

EXHIBIT 1

[From the New York Times, July 25, 1999]

NATIONAL PARKS, STRAINED BY RECORD CROWDS, FACE A CRISIS

(By Michael Janofsky)

YELLOWSTONE NATIONAL PARK, WY—In growing numbers that now exceed 3.1 million a year, visitors travel here to America's oldest national park to marvel at wildlife, towering mountains, pristine rivers and geological curiosities like geysers, hot springs and volcanic mudpots.

Yet many things tourists may not see on a typical trip through Yellowstone's 2.2 million acres spread across parts of Idaho, Montana and Wyoming could have a greater impact on the park's future than the growl of a grizzly or spew of Old Faithful.

For all its beauty, Yellowstone is broken. Hordes of summer tourists and the increasing numbers now visiting in the spring, fall ad winter are overwhelming the park's ability to accommodate them properly.

In recent years, the park's popularity has created such enormous demands on water lines, roads and personnel that park management has been forced to spend most of Yellowstone's annual operating budget, about $30 million, on immediate problems rather than investing in long-term solutions that would eliminate the troublesome areas.

Yellowstone is not the only national park suffering. With the nation's 378 national park areas expected to attract almost 300 million visitors this year, after a record 286 million in 1998, many parks are deferring urgently needed capital improvements.

For instance, damaged sewage pipes at Yellowstone have let so much ground water from spring thaws into the system that crews have had to siphon off millions of gallons of treated water into meadows each of the last four years.

And with budget restraints forcing personnel cutbacks in every department, even the number of park rangers with law-enforcement authority has dropped, contributing to a steady increase in crime throughout Yellowstone.

''It's so frustrating,'' Michael V. Finley, Yellowstone's superintendent, said. ''As the park continues to deteriorate, the service level continues to decline. You see how many Americans enjoy this park. They deserve better.''

Over the last decade the annual budget of the National Park Service, an agency of the Interior Department, has nearly doubled, to $1.9 billion for the fiscal year 1999 from $1.13 billion in 1990, an increase that narrowly outpaced inflation.

But in an assessment made last year, the park service estimated that it would cost $3.54 billion to repair maintenance problems at national parks, monuments and wilderness areas that have been put off—for decades, in some cases—because of a lack of money.

The cost of needed repairs at Yellowstone was put at $46 million, the most of any park area in the system. But the park service report shows that budget limits have forced virtually all national parks to set aside big maintenance projects, delays that many park officials say compromise visitor enjoyment and occasionally threaten their health and safety.

Senator Craig Thomas, a Wyoming Republican who is chairman of the Subcommittee on National Parks, and Bob Stanton, director of the park service, negotiated a deal this week to spend $12 million over the next three years for Yellowstone repairs.

Other parks may have to wait longer. The Grand Canyon National Park depends on a water treatment system that has not been upgraded in 30 years, a $20 million problem, park officials say. Parts of the Chesapeake and Ohio Canal National Historical Park along the Potomac River are crumbling, another $10 million expense. The Everglades National Park in South Florida needs a $15 million water treatment plant.

Even with a heightened awareness of need among Federal lawmakers and Clinton Administration officials, money to repair those problems may be hard to find at a time when Congress is wrestling over the true size of a projected budget surplus and how much of it will pay for tax cuts. If billions were to become available for new spending, the park service would still have to slug it out with every other Federal agency, and few predict that parks would emerge a big winner.

It is a disturbing prospect to conservationists, parks officials and those lawmakers who support increased spending to help the parks address their backlog of maintenance problems.

''It's kind of like a decayed tooth,'' said Dave Simon, the Southwest regional director for the National Parks and Conservation Association, a citizens' group that is working with Yellowstone to solve some of the long-term needs. ''If you don't take care of it, one day you'll wake up with a mouthful of cavities.''

The parks' supporters like Representative Ralph S. Regula, an Ohio Republican who is chairman of Appropriations Subcommittee on the Interior, concede that budgetary increases as well as revenue from new programs that allow parks to keep a greater share of entrance fees and concession sales have been offset by inflation, rising costs and daily operational demands that now accommodate 8.9 percent more people than those who visited national parks a decade ago.

With few dollars available for maintenance programs, the parks suffered ''benign neglect,'' Mr. Regula said, adding: ''It's not very sexy to fix a sewer system or maintain a trail. You don't get headlines for that. It would be nice to get them more money, but we're constrained.''

Denis P. Galvin, the deputy director of the National Park service, noted that only twice this century, in the 1930's and in 1966, has the Federal Government authorized money for systemwide capital improvements, and he said he was not expecting another windfall soon.

''Generally,'' Mr. Galvin said, ''domestic programs come at the back of the line when they're formulating the Federal budget, and I just don't think parks are a priority.''

Perhaps no park in America reflects the array of hidden problems more than Yellowstone, which opened in 1872, years before Idaho, Montana and Wyoming became states.

Park officials here say that the longer problems go unattended, the more expensive and threatening they become.

The budget restraints have meant reducing the number of rangers who carry guns and have the authority to make arrests.

Rick Obernesser, Yellowstone's chief ranger, said the roster had dwindled to 112 from 144 over the last 10 years, which often means leaving the park without any of these rangers from 2 A.M. to 6 A.M.

Next year, Mr. Obernesser said, the park will have only 93 of these rangers, about 1 for every 23,000 acres compared with 1 for every 15,000 acres when his staff was at peak strength.

That has not only led to slower response times to emergencies, like auto accidents and heart attacks, he said, but also to an increase in crime. Since the peak staffing year of 1989, he said, the park has experienced significant increases in the killing of wildlife, thefts, weapons charges against visitors and violations by snowmobile drivers.

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Mr. NICKLES addressed the Chair.

The PRESIDING OFFICER. The Senator from Oklahoma is recognized.

Mr. NICKLES. Mr. President, I ask the Senator from Delaware to yield me 20 minutes.

Mr. ROTH. I am happy to yield 20 minutes to the distinguished Senator from Oklahoma.

Mr. NICKLES. Mr. President, first, I wish to compliment my colleague, the chairman of the Finance Committee, Senator ROTH, for his leadership in bringing the bill to the floor. In addition, I compliment Senator LOTT and Senator DOMENICI because they helped make this happen.

The Senate, earlier this year, passed a budget resolution that says let's use most of the surplus that is projected to pay down the national debt. As a matter of fact, let's use over two-thirds of it to pay down the national debt. I have heard complaints from colleagues on the Democrat side saying we don't do enough. Frankly, we pay down the national debt more than the Democrats have proposed and more than the President has proposed. Maybe that is not enough for them, but it is more than they have proposed.

I compliment Senator DOMENICI and Senator LOTT, as well as Senator ROTH, for laying the groundwork to say let's take at least one-fourth of the surplus projected and let the people keep it. Some people say give it back to them. Well, I don't think they should ever have to send it to Washington, DC, in the first place; it is their money.

That is the issue. Are we going to allow the taxpayers to keep one-fourth of the surplus, or are we going to insist on that money going to Washington, DC, and Washington spending it? Obviously, there is no limit on the number of demands we have on spending other people's money. We can spend it all just like that. It is quite easy, in fact it is the easiest thing to do. Now, we finally have an opportunity, as a result of the significant surplus, to allow people to keep more of it.

We do that in this bill. We have come up with a bill that I believe is fair, balanced, and I think is a good tax bill, a tax bill for taxpayers. I will go into some of the benefits. First, I want to repudiate some of the comments that were made against it. One Senator said it was too much. It is one-fourth of the surplus.

I don't think that is too much. We have given tax cuts in the past when we didn't even have a surplus. I happen to have supported those. We passed a tax cut in 1997—a strong majority of Congress passed it. We didn't have a surplus then. I think it was the right thing to do. We gave a tax cut because, in some cases, rates were too high. We said if we have a tax cut, it will stimulate the economy and raise more money. Guess what. That is what happened.

We cut the capital gains tax both in 1995 and in 1997. The President vetoed it in 1995. He signed it in 1997. When I say ''we,'' I am talking about Republicans because we didn't have any support in 1995 from our Democrat colleagues—maybe with one or two exceptions. We passed it in 1997. We cut capital gains from 28 to 20 percent. It helped the economy and raised a lot of money. It beat the expectations by the CBO and the Treasury Department. Why? We reduced the tax on transactions by about 230 percent and ended up having more financial transactions. As a result, you have more income and more taxes. It helped the economy. Many of us said that would happen, that it would have a very positive impact.

Let me touch on one other thing. A couple of colleagues said you can't have this tax cut because it benefits high-income people. Heaven forbid, somebody making $500,000 is going to get a greater benefit than somebody making $10,000. Let me just step back a little bit. Is this tax cut too high, too generous for high-income people? I don't think so.

Let me talk about rates. I believe marginal rates impact on whether or not somebody is going to do extra work. I have been in the private sector. I used to have a janitorial service, and marginal rates kept me from doing more work. I had a situation where I was making enough money to combine income and Social Security taxes. I was working about 40 percent of the time for the Government, and I said that is enough. I am not going to work more if the Government is going to take almost half of everything I make. It denied the advancement and expansion of my business—a small business.

I might mention, that small business is where most additional new employees are starting. Somebody says, wait a minute, this tax cut is unfair, it benefits the high income bracket. Look at what we do for high income. We reduce every single income bracket by 1 percentage point. The low end is 15 percent and we reduced it to 14 percent. The high income is 39.6 percent, and we reduced it to 38.6 percent, and so on. There is a 28 percent bracket; we move that to 27.

Somebody says, that benefits the high income. Wait a minute. We reduce it in every single bracket by 1 percentage point. It so happens that for the 15-percent bracket, to move down 1 point, that is a 7-percent reduction. If you move a 39.6 percent down to 38.6, that is a 2.6-percent reduction—less than half of a percentage reduction of the 15-percent taxpayer, or the lower income taxpayer. So I don't think this is tilted in any way. If anything, if one really looks at this, it makes the system more progressive.

So the argument that this benefits upper income doesn't fly, and it doesn't fly with history. Look at what the tax cut rates were when President Clinton was sworn into office. The maximum rate in 1992 was 31 percent. After the Clinton tax increase—or maybe I should say the Democrat tax increase because it only passed by Democrats, with the Vice President breaking the tie vote twice in this Chamber—it increased the maximum rate from 31 to 39.6 percent. Actually, it went higher than that because they also took the cap off the Medicare tax and said you have to pay Medicare tax on all income, all salary, and all wages. So you have payroll taxes and Federal income taxes and Social Security taxes, and no limit, no base, no cap on Medicare taxes.

Medicare tax is 1.45 percent of payroll, plus your employer's contribution; that is 2.9 percent. So a person in the maximum bracket pays actually 39.6, plus 2.9 percent Medicare. That is a total of 42.5 percent. When Bill Clinton was sworn in, the maximum rate was 31 percent. One year later, it was 42.5 percent on all income, all wages, on everybody in the country.

That is a massive tax increase. That is a 37-percent increase.

What are we doing in this bill? We are reducing that by one point. We reduce it from 39.6 to 38.6; 38.6 is a whole lot more than 31.

So, the tax cut that we are proposing is just a small fraction of the tax increase President Clinton and the Democrats passed in 1993—a small fraction. Yet some of my colleagues are saying we can't do that. It might deny us the ability to spend more money. We have a whole laundry list of people parading to Washington, DC, saying: Give me some more money because we want to spend it. We want more of your money because we can spend it better than you can.

Finally, I want to address the comments of one of our colleagues who says we favor a tax cut, but we don't believe now is the time to do it. Wait a minute. When are you going to do it, if not now?

We have estimates of a $3 trillion surplus over the next 10 years. And we are not going to do it now? Will we only give you a tax cut if it is $4 trillion, or $5 trillion? At what point would our colleagues say it is time to let people keep more of their own money? We are taking too much from them. If my colleagues are not going to agree to a tax cut that is only one-fourth of the surplus, they will never agree to one.

It absolutely amazes me how our Democrat colleagues all marched in step in 1993 and said: We are going to support this tax increase because Bill Clinton wants it.

You might remember that Bill Clinton shortly after that said, Oops, surprise, I agree with the business community. We increased taxes too much. He actually admitted to that. A lot of Democrats were mad, but he admitted to it anyway and then he went ahead and vetoed our tax cut in 1995.

Then in 1997, he eventually agreed to a tax cut and everybody seemed to favor it. I guess whatever Bill Clinton says the Democrats march in line to.

I don't know. But we cut taxes in 1997. We reduced capital gains from 28 to 20 percent—very positive things. They might think that was a bad thing to do. No one offered an amendment saying let's bring capital gains back up to 28 percent saying that it was terrible. A lot of people debated against it in 1997. But it was the right thing to do.

We cut taxes for families in 1997. We passed a $500 tax credit for each child in 1997. Bill Clinton campaigned for it in 1992. He didn't deliver in 1993. As a matter of fact, in 1993 he increased taxes. That tax cut didn't happen until 1997. Republicans passed it. The President vetoed it. We passed it in 1997 and he eventually signed it.

A family of four with an income of less than $80,000 has $2,000 per year that they can keep. A family with four kids gets to keep $2,000 more per year because Republicans in Congress said we are going to pass it. We promised to and we did.

We established the ROTH IRA.

We did some good things in 1997. Guess what? We didn't have the projected surplus in 1997 that we have in 1999. Now we have trillions of dollars of anticipated surplus. Let's give one-fourth of it back to the American people. Let's let them keep it. They shouldn't have to send that much to

Washington, DC. Their taxes are too high.

I will go through a couple of examples that we correct in this bill to show why their taxes are too high and what we do about it. There are too many people who send too much to Washington DC. Let me address a couple of those examples.

I mentioned a self-employed person. A self-employed person, an individual, makes $25,000. They are taxed at the marginal bracket of 15 percent on everything they make up to $25,000. Above that they are taxed at 28 percent. If somebody has a painting service in rural Delaware, and paints houses and works for himself, that individual has a taxable income of $25,000, and probably is not considered wealthy by most people's standards. Any additional contract that person makes, any additional income that person makes, is taxed at 28 percent. He also has to pay Social Security and Medicare tax. That is 15.3 percent on top of the 28 percent. Add those two together, and it is 43.3 percent. He has to pay State income tax. In my State that is 6 or 7 percent. For any additional dollar that individual makes painting houses, fifteen cents of it goes to the government.

That is too high. That is far too much.

For a married couple right now that makes $43,000, it is the same thing. For any additional dollar they make, half of it goes to the government, if they are self-employed.

That is too high. So we cut that.

We provide marriage penalty relief and several other positive things. Let me go through some more of the changes.

I mentioned that we cut all brackets by one percent. That benefits the lower more than the upper brackets. The lower brackets get a seven-percent reduction and the upper brackets get a 2.8 percent reduction. That is not stacked towards the higher income people. It is a tax cut for all taxpayers, and it benefits, percentage-wise, the lowest income taxpayers first. The lowest income taxpayer gets the break first.

Again, for somebody who says this is weighted towards the wealthy, it is absolutely totally and completely false.

We widen the 15 percent bracket. We make it 14 percent. Then we widen it. We ship $3,000 more of income into the 14-percent bracket instead of the 28-percent bracket.

That is a very positive change for an individual with an income up to $25,750. That means they get to save $390. That is fairly significant. I think that is very significant.

For a couple you are talking about double that amount. So they get to save a significant amount as well.

Marriage penalty relief: What did we do? Some people do not understand what we did. We said we would double the bracket by increasing the standard deduction—basically doubling the standard deduction for an individual. If you look at the income tax forms, and say you are filing as individuals, or joint. If you file as married, you don't get twice the individual deduction. So, frankly, it would be better off if a married couple filed as individuals. They are penalized for filing jointly.

Does it make any sense for our Tax Code to penalize people for being married to the tune of $1,400 per family? That is wrong. This bill eliminates that for most couples.

What do we do? We said, Let's double the standard deduction. It should be twice as much for those who are married as it is for individuals.

We do that with this legislation because the biggest hit is on married couples, and the marriage penalty is that individually they are taxed at 15 percent. For joint income tax they are taxed at 28 percent—almost twice as high. We move those rates to 14 and to 27 percent. We are saying for all of the income that is taxed up to 14 percent they should have twice that bracket amount for a couple. That is not the way the tax code is right now.

Let me explain it.

Individuals today are taxed at 15 percent up to $25,000. You say, OK. That is for an individual, and it would make sense for a couple then to be taxed at 15 percent up to $50,000. But that is not the present law. The present law says above $43,000 they are taxed at 28 percent. So they have $7,000 that they are taxed at a higher rate, twice the rate as what they should be. We eliminate that. We double the 15 percent bracket for married couples.

So if it is $25,000 at 15 percent for an individual, it would be $50,000 for a couple.

What does that mean in savings to a couple that makes $50,000? It means $980 a year that they will be able to keep. We are not going to penalize couples because they happen to be married and because they happen to file joint returns.

I want to compliment the chairman, because he has worked very hard in supporting this.

We have $100 billion in tax relief for married couples by eliminating the marriage penalty in this legislation—that is one eighth of this bill.

When we debated this legislation on the floor of the Senate last week, no one said take out the marriage penalty.

The marriage penalty tax elimination is one of the most important aspects of this bill and we are going to make it happen.

The upper rate reductions that I mentioned move one percent down.

That may not happen, because we have a trigger mechanism that says if we don't meet the deficit reduction targets the tax cut doesn't happen.

That is not the case for marriage penalty relief.

I encourage my colleagues. If you believe in getting rid of the marriage penalty, you had better vote for this bill. It is one of the most significant reforms that we have in this legislation.

What else did we do? Why should somebody be in favor of this?

We eliminate the death tax.

We changed the current unified credit into an exemption.

What does that mean? Right now everybody knows that we have a unified credit that says if you have a taxable estate above $650,000, you don't have to pay a death tax. If you pass away, your survivors and kids won't have to pay any death tax.

We changed that unified credit into an exemption.

What does that mean? Once you have to pay the tax, you start paying at 39 percent.

By making an exemption, you start out at a lower rate. So any taxable estate will be taxed at an 18 percent rate.

The beginning rate of a taxable estate will be 18 percent instead of 39 percent. We will be helping out estates that are just over the threshold, estates that are $1 million or $1.5 million. That is a very positive change.

Eventually, in 9 years, by the year 2009, we eliminate the death tax. At that point, estates should be taxed when the property is sold—not in the event of death but when the property is sold. If your kids inherit a business or ranch, they don't have to pay inheritance tax until they sell it; if they sell it, then they are taxed capital gains. And they have to pay tax on the base, going back to the original base. That is how it should be. If they sell, they should pay capital gains; if they don't sell, they shouldn't be hit.

I learned the hard way. This inheritance tax makes people sell businesses all the time. It makes people sell farms, ranches, homes—just name it—to cover estate taxes. That is wrong. If they should choose to sell it, then let them pay the tax on the gain. That is what we do here and that is a very significant provision in this bill.

What else do we do in this bill? We reduce capital gains taxes. We have proven time and time again, going back to the time of John F. Kennedy, reduce taxes and we generate more money to Government, particularly with marginal rates and capital gains rates. We reduced the capital gains rate in 1997 from 28 to 20 percent, and it raised a lot of money for the Federal Government. In this bill, immediately going back to January 1 of this year, we reduce the capital gains rate from 20 percent to 18 percent.

Beginning January 1 of next year we index capital gains. What does that mean? It means we will quit taxing inflation. If someone has a home and that home is escalating in price through inflation, they won't have to pay taxes on that inflated gain because the home really hasn't increased in value, it is just staying up. That is a very positive provision and I compliment the authors of the bill for their hard work.

We increase IRA deductions from $2,000 to $5,000. We haven't increased it since we passed IRAs many years ago. That is another significant provision, so people are saving and are not so dependent on an employer or the Federal Government.

We allow self-employed persons to deduct 100 percent of their health care costs. Right now they can deduct 45 percent. This measure affects nearly 16 million taxpayers. It is a very positive provision. We allow 100-percent deductibility of health insurance for workers without generous employers. If you do not work for a generous employer, you can deduct your health care costs.

We increase child care tax credits.

We have AMT reforms so people don't get stuck paying an alternative minimum tax just because they are taking tax credits that Congress has already passed.

We allow small businesses to be able to expense up to $30,000 a year. We increase that from $19,000. This is a provision that will benefit thousands and thousands of businesses, small businesses, all across the country.

I say to my colleagues, this bill is a good tax bill, it is a fair tax relief bill. It allows small business, individuals, and married couples an opportunity to keep more of their own money instead of sending it to Washington, DC.

I urge my colleagues on behalf of the taxpayers all across America to vote ''yes'' on this bill later this evening.

Mr. President, I ask unanimous consent to have printed in the RECORD a couple of tables showing the distributional effects. Changes that we are making will show the greatest percentage of reductions are certainly pushed towards the lower income. For example, on married filing jointly, the rate reduction is 7 percent but the biggest reduction actually is for incomes of $40,000 to $60,000, receiving significant reductions, up to 17 and 22 percent, because of the marriage penalty relief that we have added.

I ask unanimous consent to have these tables printed in the RECORD.

There being no objection, the material ordered to be printed in the RECORD, as follows:

IMPACT OF RATE REDUCTION & BRACKET EXPANSION

| Taxable Income | Current law | | | | | | GOP tax cut | | | | | | Change | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Taxable @ 15% | Taxable @ 28% | Taxable @ 31% | Taxable @ 36% | Taxable @ 39.6% | Total tax | Taxable @ 14% | Taxable @ 27% | Taxable @ 30% | Taxable @ 35% | Taxable @ 38.6% | Total tax | Amount of change | Change as % of taxes |
| MARRIED FILING JOINTLY | | | | | | | | | | | | | | |
| 10,000 | 10,000 | 0 | 0 | 0 | 0 | 1,500 | 10,000 | 0 | 0 | 0 | 0 | 1,400 | (100) | −7 |
| 20,000 | 20,000 | 0 | 0 | 0 | 0 | 3,000 | 20,000 | 0 | 0 | 0 | 0 | 2,800 | (200) | −7 |
| 30,000 | 30,000 | 0 | 0 | 0 | 0 | 4,500 | 30,000 | 0 | 0 | 0 | 0 | 4,200 | (300) | −7 |
| 40,000 | 40,000 | 0 | 0 | 0 | 0 | 6,000 | 40,000 | 0 | 0 | 0 | 0 | 5,600 | (400) | −7 |
| 50,000 | 43,050 | 6,950 | 0 | 0 | 0 | 8,404 | 50,000 | 0 | 0 | 0 | 0 | 7,000 | (1,404) | −17 |
| 60,000 | 43,050 | 16,950 | 0 | 0 | 0 | 11,204 | 57,500 | 2,500 | 0 | 0 | 0 | 8,725 | (2,479) | −22 |
| 70,000 | 43,050 | 26,950 | 0 | 0 | 0 | 14,004 | 57,500 | 12,500 | 0 | 0 | 0 | 11,425 | (2,579) | −18 |
| 80,000 | 43,050 | 36,950 | 0 | 0 | 0 | 16,804 | 57,500 | 22,500 | 0 | 0 | 0 | 14,125 | (2,679) | −16 |
| 90,000 | 43,050 | 46,950 | 0 | 0 | 0 | 19,604 | 57,500 | 32,500 | 0 | 0 | 0 | 16,825 | (2,779) | −14 |
| 100,000 | 43,050 | 56,950 | 0 | 0 | 0 | 22,404 | 57,500 | 42,500 | 0 | 0 | 0 | 19,525 | (2,879) | −13 |
| 110,000 | 43,050 | 61,000 | 5,960 | 0 | 0 | 25,382 | 57,500 | 46,500 | 5,950 | 0 | 0 | 22,404 | (2,979) | −12 |
| 120,000 | 43,050 | 61,000 | 15,950 | 0 | 0 | 28,482 | 57,500 | 46,550 | 15,950 | 0 | 0 | 25,404 | (3,079) | −11 |
| 130,000 | 43,050 | 61,000 | 25,950 | 0 | 0 | 31,582 | 57,500 | 46,550 | 25,950 | 0 | 0 | 28,404 | (3,179) | −10 |
| 140,000 | 43,050 | 61,000 | 35,950 | 0 | 0 | 34,682 | 57,500 | 46,550 | 35,950 | 0 | 0 | 31,404 | (3,279) | −9 |
| 150,000 | 43,050 | 61,000 | 45,950 | 0 | 0 | 37,782 | 57,500 | 46,550 | 45,950 | 0 | 0 | 34,404 | (3,379) | −9 |
| 160,000 | 43,050 | 61,000 | 54,500 | 1,450 | 0 | 40,955 | 57,500 | 46,500 | 54,500 | 1,450 | 0 | 37,476 | (3,479) | −8 |
| 170,000 | 43,050 | 61,000 | 54,500 | 11,450 | 0 | 44,555 | 57,500 | 46,550 | 54,500 | 11,450 | 0 | 40,976 | (3,579) | −8 |
| 180,000 | 43,050 | 61,000 | 54,500 | 21,450 | 0 | 48,155 | 57,500 | 46,550 | 54,500 | 21,450 | 0 | 44,476 | (3,679) | −8 |
| 190,000 | 43,050 | 61,000 | 54,500 | 31,450 | 0 | 51,755 | 57,500 | 46,550 | 54,500 | 31,450 | 0 | 47,976 | (3,779) | −7 |
| 200,000 | 43,050 | 61,000 | 54,500 | 41,450 | 0 | 55,355 | 57,500 | 46,550 | 54,500 | 41,450 | 0 | 51,476 | (3,879) | −7 |
| 250,000 | 43,050 | 61,000 | 54,500 | 91,450 | 0 | 73,355 | 57,500 | 46,550 | 54,500 | 91,450 | 0 | 68,976 | (4,379) | −6 |
| 300,000 | 43,050 | 61,000 | 54,500 | 124,600 | 16,850 | 91,961 | 57,500 | 46,550 | 54,500 | 124,600 | 16,850 | 87,083 | (4,879) | −5 |
| 350,000 | 43,050 | 61,000 | 54,500 | 124,600 | 66,850 | 111,761 | 57,500 | 46,550 | 54,500 | 124,600 | 66,850 | 106,383 | (5,379) | −5 |
| 400,000 | 43,050 | 61,000 | 54,500 | 124,600 | 116,850 | 131,561 | 57,500 | 46,550 | 54,500 | 124,600 | 116,850 | 125,683 | (5,878) | −4 |
| 450,000 | 43,050 | 61,000 | 54,500 | 124,600 | 166,850 | 151,361 | 57,500 | 46,550 | 54,500 | 124,600 | 166,850 | 144,983 | (6,379) | −4 |
| 500,000 | 43,050 | 61,000 | 54,500 | 124,600 | 216,850 | 171,161 | 57,500 | 46,550 | 54,500 | 124,600 | 216,850 | 164,283 | (6,879) | −4 |
| 10,000 | 10,000 | 0 | 0 | 0 | 0 | 1,500 | 10,000 | 0 | 0 | 0 | 0 | 1,400 | (100) | −7 |
| 20,000 | 20,000 | 0 | 0 | 0 | 0 | 3,000 | 20,000 | 0 | 0 | 0 | 0 | 2,800 | (200) | −7 |
| 30,000 | 25,750 | 4,250 | 0 | 0 | 0 | 5,053 | 28,750 | 1,250 | 0 | 0 | 0 | 4,363 | (690) | −14 |
| 40,000 | 25,750 | 14,250 | 0 | 0 | 0 | 7,853 | 28,750 | 11,250 | 0 | 0 | 0 | 7,063 | (790) | −10 |
| 50,000 | 25,750 | 24,250 | 0 | 0 | 0 | 10,653 | 28,750 | 21,250 | 0 | 0 | 0 | 9,763 | (890) | −8 |
| 60,000 | 25,750 | 34,250 | 0 | 0 | 0 | 13,453 | 28,750 | 31,250 | 0 | 0 | 0 | 12,463 | (990) | −7 |
| 70,000 | 25,750 | 36,700 | 7,550 | 0 | 0 | 16,479 | 28,750 | 33,700 | 7,550 | 0 | 0 | 15,389 | (1,090) | −7 |
| 80,000 | 25,750 | 36,700 | 17,550 | 0 | 0 | 19,579 | 28,750 | 33,700 | 17,550 | 0 | 0 | 18,389 | (1,190) | −6 |
| 90,000 | 25,750 | 36,700 | 27,550 | 0 | 0 | 22,679 | 28,750 | 33,700 | 27,550 | 0 | 0 | 21,389 | (1,290) | −6 |
| 100,000 | 25,750 | 36,700 | 37,550 | 0 | 0 | 25,779 | 28,750 | 33,700 | 37,550 | 0 | 0 | 24,389 | (1,390) | −5 |
| 110,000 | 25,750 | 36,700 | 47,550 | 0 | 0 | 28,879 | 28,750 | 33,700 | 47,550 | 0 | 0 | 27,389 | (1,490) | −5 |
| 120,000 | 25,750 | 36,700 | 57,550 | 0 | 0 | 31,979 | 28,750 | 33,700 | 57,550 | 0 | 0 | 30,389 | (1,590) | −5 |
| 130,000 | 25,750 | 36,700 | 67,550 | 0 | 0 | 35,079 | 28,750 | 33,700 | 67,550 | 0 | 0 | 33,389 | (1,690) | −5 |
| 140,000 | 25,750 | 36,700 | 67,800 | 9,750 | 0 | 38,667 | 28,750 | 33,700 | 67,800 | 9,750 | 0 | 36,877 | (1,790) | −5 |
| 150,000 | 25,750 | 36,700 | 67,800 | 19,750 | 0 | 42,267 | 28,750 | 33,700 | 67,800 | 19,750 | 0 | 40,377 | (1,890) | −4 |
| 160,000 | 25,750 | 36,700 | 67,800 | 29,750 | 0 | 45,867 | 28,750 | 33,700 | 67,800 | 29,750 | 0 | 43,877 | (1,990) | −4 |
| 170,000 | 25,750 | 36,700 | 67,800 | 39,750 | 0 | 49,467 | 28,750 | 33,700 | 67,800 | 39,750 | 0 | 47,377 | (2,090) | −4 |
| 180,000 | 25,750 | 36,700 | 67,800 | 49,750 | 0 | 53,067 | 28,750 | 33,700 | 67,800 | 49,750 | 0 | 50,877 | (2,190) | −4 |
| 190,000 | 25,750 | 36,700 | 67,800 | 59,750 | 0 | 56,667 | 28,750 | 33,700 | 67,800 | 59,750 | 0 | 54,377 | (2,290) | −4 |
| 200,000 | 25,750 | 36,700 | 67,800 | 69,750 | 0 | 60,267 | 28,750 | 33,700 | 67,800 | 69,750 | 0 | 57,877 | (2,390) | −4 |
| 250,000 | 25,750 | 36,700 | 67,800 | 119,750 | 0 | 78,267 | 28,750 | 33,700 | 67,800 | 119,750 | 0 | 75,377 | (2,890) | −4 |
| 300,000 | 25,750 | 36,700 | 67,800 | 152,900 | 16,850 | 96,873 | 28,750 | 33,700 | 67,800 | 152,900 | 16,850 | 93,483 | (3,390) | −3 |
| 350,000 | 25,750 | 36,700 | 67,800 | 152,900 | 66,850 | 116,673 | 28,750 | 33,700 | 67,800 | 152,900 | 66,850 | 112,783 | (3,890) | −3 |
| 400,000 | 25,750 | 36,700 | 67,800 | 152,900 | 116,850 | 136,473 | 28,750 | 33,700 | 67,800 | 152,900 | 116,850 | 132,083 | (4,390) | −3 |
| 450,000 | 25,750 | 36,700 | 67,800 | 152,900 | 166,850 | 156,273 | 28,750 | 33,700 | 67,800 | 152,900 | 166,850 | 171,383 | (4,890) | −3 |
| 500,000 | 25,750 | 36,700 | 67,800 | 152,900 | 216,850 | 176,073 | 28,750 | 33,700 | 67,800 | 152,900 | 216,850 | 170,683 | (5,390) | −3 |

Policies as fully phased in applied to 1999 tax brackets.
Provided by Senator Don Nickles, 08/05/99

***N O T I C E***

***Incomplete record of Senate proceedings. Today's Senate proceedings will be continued in the next issue of the Record.***